

MEETING OF THE BOARD OF BANK ADVISORS

August 20, 2012

9:00 am

Department of Financial Institutions
324 South State Street, Suite 201
Salt Lake City Utah

Minutes

BOARD MEMBERS PRESENT:

Matt Packard, Dave Brown, Craig White, Curt Taylor, and Eric Schmutz.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Commissioner Ed Leary, Tom Bay, Mark Peterson, Kathryn Causey, Bryan Farnsworth, and Sonja Long.

OTHERS PRESENT:

Lew Goodwin, Green Dot Bank; Bruce Jensen, Town & Country Bank; Don Norton, Capital Community Bank; Harley Jacobs, Capital Community Bank; Jon Allen, Bank of American Fork; Michael Fosmark, Continental Bank; John Sorenson, Home Savings Bank.

1. Call Meeting to Order – Chairman Matt Packard

2. Minutes –

Craig White made the motion to accept the minutes, Eric Schmutz seconded the motion. It was unanimous.

3. Legal Lending Limit overview – Tom Bay

Tom said that he didn't think that this board has ever gone over this topic. It is kind of a difficult topic. He doesn't really like to give generalities, but each situation and/or question that comes up has to be looked at separately. It is kind of an open ended thing. Everyone should be aware of the lending limit in the code; it is Section 7-3-19. It basically says that the lending limit is 15% of total capital. Total capital has a definition in the code; it is basically equity capital plus the allowance account. This code section also gives an additional 10% that can be added to the lending limit for loans that are secured by readily marketable collateral. That is also defined in the code as something

that has an active market that values the item daily. The extra 10% hasn't been used very often because it is hard to meet that definition.

There is also an Administrative Rule that goes into more detail; R331-23. Tom went over some aspects of the rule. There was a discussion on this. Matt Packard asked why it was brought up now. Tom said that it was just on his list of topics for this meeting.

4. Community Bank Performance Trends – Tom Bay

Tom gave out his handout and went over the information.

5. Commissioners comments – Commissioner Leary

Commissioner Leary wanted to board to know that we have lost 8 examiners since the beginning of the year. Historically we have lost examiners after the bottom of a downturn. This is a bit more aggressive. There is a variation of why they are departing. He talked about where they are going. He went through our hiring process. He had Kathryn and Bryan introduce themselves.

He gave out 2 handouts; they were the asset size list of state chartered banks, and the assets under supervision. He went through the handouts.

He talked about the derivatives issue the Dodd-Frank Act mandated that state chartered institutions in order for them to continue to engage in derivatives transactions, state law had to be changed to clarify how they would be considered within their state lending limits. We were able to get a bill passed that simply goes into that legal lending statute and includes the credit exposure in a derivatives transaction. We can now update our Administrative Rule on how we include that.

Matt Packard asked if he sees anything coming down from Dodd-Frank that they need to be aware of. Stress testing is a big thing. Legally you don't have to, but best practices would be to do some stress testing. He doesn't see anything coming directly from Dodd-Frank.

Commissioner Leary mentioned that CSBS would be doing their directors training in Coeur d'Alene ID September 29 – October 2. It is worthwhile training.

6. Date of next meeting – November 19, 2012 – 9:00 am

7. Adjourn